



General Assembly

Substitute Bill No. 5503

February Session, 2024



**AN ACT CONCERNING INSURANCE MARKET CONDUCT AND
INSURANCE LICENSING, THE INSURANCE DEPARTMENT'S
TECHNICAL CORRECTIONS AND OTHER REVISIONS TO THE
INSURANCE STATUTES AND CAPTIVE INSURANCE.**

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. Section 38a-8 of the 2024 supplement to the general statutes
2 is repealed and the following is substituted in lieu thereof (*Effective*
3 *October 1, 2024*):

4 (a) The commissioner shall see that all laws respecting insurance
5 companies and health care centers are faithfully executed and shall
6 administer and enforce the provisions of this title. The commissioner
7 shall have all powers specifically granted, and all further powers that
8 are reasonable and necessary to enable the commissioner to protect the
9 public interest in accordance with the duties imposed by this title,
10 including, but not limited to, the power to order restitution of any sums
11 obtained in violation of any provision of this title, or any regulation or
12 order adopted or issued pursuant to this title by the commissioner, plus
13 interest at the rate set forth in section 37-3a. The commissioner shall pay
14 to the Treasurer all the fees that the commissioner receives. The
15 commissioner may administer oaths in the discharge of the
16 commissioner's duties.

17 (b) The commissioner shall recommend to the General Assembly
18 changes that, in the commissioner's opinion, should be made in the laws
19 relating to insurance.

20 (c) In addition to the specific regulations that the commissioner is
21 required to adopt, the commissioner may adopt such further
22 regulations, in accordance with the provisions of chapter 54, as are
23 reasonable and necessary to implement the provisions of this title.

24 (d) The commissioner shall develop a program of periodic review to
25 ensure compliance by the Insurance Department with the minimum
26 standards established by the National Association of Insurance
27 Commissioners for effective financial surveillance and regulation of
28 insurance companies operating in this state. The commissioner shall
29 adopt regulations, in accordance with the provisions of chapter 54,
30 pertaining to the financial surveillance and solvency regulation of
31 insurance companies and health care centers as are reasonable and
32 necessary to obtain or maintain the accreditation of the Insurance
33 Department by the National Association of Insurance Commissioners.
34 The commissioner shall maintain as confidential any confidential
35 documents or information received from the National Association of
36 Insurance Commissioners, or the International Association of Insurance
37 Supervisors, or any documents or information received from state or
38 federal insurance, banking or securities regulators or similar regulators
39 in a foreign country that are confidential in such jurisdictions. The
40 commissioner may share any information, including confidential
41 information, with the National Association of Insurance
42 Commissioners, the International Association of Insurance Supervisors,
43 or state or federal insurance, banking or securities regulators or similar
44 regulators in a foreign country, provided the commissioner determines
45 that such entities agree to maintain the same level of confidentiality in
46 their jurisdictions as is available in this state. At the expense of a
47 domestic, alien or foreign insurer, the commissioner may engage the
48 services of attorneys, actuaries, accountants and other experts not
49 otherwise part of the commissioner's staff as may be necessary to assist
50 the commissioner in the financial analysis of the insurer, the review of

51 the insurer's license applications, and the review of transactions within
52 a holding company system involving an insurer domiciled in this state.
53 No duties of a person employed by the Insurance Department on
54 November 1, 2002, shall be performed by such attorney, actuary,
55 accountant or expert.

56 (e) The commissioner shall establish a program to reduce costs and
57 increase efficiency through the use of electronic methods to transmit
58 documents, including policy form and rate filings, to and from insurers
59 and the Insurance Department. The commissioner may sit as a member
60 of the board of a consortium organized by or in association with the
61 National Association of Insurance Commissioners for the purpose of
62 coordinating a system for electronic rate and form filing among state
63 insurance departments and insurers.

64 (f) The commissioner shall maintain as confidential information
65 obtained, collected or prepared in connection with examinations,
66 inspections or investigations, and complaints from the public received
67 by the Insurance Department, if such records are protected from
68 disclosure under federal law or state statute or, in the opinion of the
69 commissioner, such records would disclose, or would reasonably lead
70 to the disclosure of: (1) Investigative information the disclosure of which
71 would be prejudicial to such investigation, until such time as the
72 investigation is concluded; or (2) personal, financial or medical
73 information concerning a person who has filed a complaint or inquiry
74 with the Insurance Department, without the written consent of the
75 person or persons to whom the information pertains.

76 (g) The commissioner may, in the commissioner's discretion, engage
77 the services of such third-party actuaries, professionals and specialists
78 that the commissioner deems necessary to assist the commissioner in
79 reviewing any rate, form or similar filing submitted to the commissioner
80 pursuant to this title. The cost of such services shall be borne by the
81 person who submitted such rate, form or similar filing to the
82 commissioner.

83 (h) The commissioner shall promote the development and growth of,
84 and employment opportunities within, the insurance industry in the
85 state.

86 (i) (1) Whenever the commissioner finds that any person has engaged
87 in or is about to engage in any act, practice or omission that constitutes,
88 or will constitute, a violation of any section of this title, or any regulation
89 or order adopted or issued by the commissioner implementing the
90 provisions of this title, the Attorney General may, at the request of the
91 commissioner, bring an action in the superior court for the judicial
92 district of Hartford for an order: (A) Enjoining such act, practice or
93 omission. Upon a showing by the commissioner that such person has
94 engaged in or is about to engage in any such act, practice or omission,
95 the court may issue a permanent or temporary injunction, restraining
96 order or other order, as appropriate. The commissioner shall not be
97 required to post a bond in such action; (B) imposing a penalty not to
98 exceed one hundred thousand dollars per violation against any such
99 person found by the commissioner to have violated any such section,
100 regulation or order; or (C) providing restitution against such person for
101 any sums shown by the commissioner to have been obtained by such
102 person in violation of any such section, regulation or order, plus interest
103 at the rate set forth in section 37-3a.

104 (2) Whenever the commissioner prevails in any action brought under
105 this subsection, the court may allow to the state any costs of such action.

106 Sec. 2. Section 38a-16 of the general statutes is repealed and the
107 following is substituted in lieu thereof (*Effective October 1, 2024*):

108 (a) (1) The Insurance Commissioner or the commissioner's authorized
109 representative may, as often as the commissioner deems necessary,
110 conduct investigations and hearings in aid of any investigation on any
111 matter under the provisions of this title. Pursuant to any such
112 investigation or hearing, the commissioner or the commissioner's
113 authorized representative may issue data calls, subpoenas, administer
114 oaths, compel testimony, order the production of books, records, papers

115 and documents, and examine books and records. Any person in receipt
116 of an order from the commissioner or the commissioner's authorized
117 representative for the production of books, records, papers or
118 documents shall comply with the order not later than thirty calendar
119 days after the date of such order. If any person refuses to allow the
120 examination of books and records, to appear, to testify or to produce
121 any book, record, paper or document when so ordered, a judge of the
122 Superior Court, upon application of the commissioner or the
123 commissioner's authorized representative, may make such order as may
124 be appropriate to aid in the enforcement of this section.

125 (2) Data provided in response to a data call under this section shall
126 not be subject to disclosure under section 1-210.

127 (b) The Attorney General, at the request of the commissioner, is
128 authorized to apply in the name of the state of Connecticut to the
129 Superior Court for an order temporarily or permanently restraining and
130 enjoining any person from violating any provision of this title.

131 Sec. 3. Subsection (a) of section 38a-790 of the general statutes is
132 repealed and the following is substituted in lieu thereof (*Effective October*
133 *1, 2024*):

134 (a) No person shall act as an appraiser for motor vehicle physical
135 damage claims on behalf of any insurance company or firm or
136 corporation engaged in the adjustment or appraisal of motor vehicle
137 claims unless such person has first secured a license from the Insurance
138 Commissioner, and has paid the license fee specified in section 38a-11,
139 for each two-year period or fraction thereof. The license shall be applied
140 for as provided in section 38a-769. The commissioner may waive the
141 requirement for examination in the case of any applicant for a motor
142 vehicle physical damage appraiser's license who is a nonresident of this
143 state and who holds an equivalent license from any other state. Any
144 [such license issued by the commissioner shall be in force until the
145 thirtieth day of June in each odd-numbered year] initial license issued
146 by the commissioner to an appraiser for motor vehicle physical damage

147 claims shall expire two years after the date of the licensee's birthday that
148 preceded the date the license was issued unless sooner revoked or
149 suspended. The license may, in the discretion of the commissioner, be
150 renewed biennially upon payment of the fee specified in section 38a-11.
151 The commissioner may adopt reasonable regulations concerning
152 standards for qualification, suspension or revocation of such licenses
153 and the methods by which licensees shall conduct their business.

154 Sec. 4. Subsection (a) of section 38a-792 of the general statutes is
155 repealed and the following is substituted in lieu thereof (*Effective October*
156 *1, 2024*):

157 (a) (1) No person may act as an adjuster of casualty claims for any
158 insurance company or firm or corporation engaged in the adjustment of
159 casualty claims unless such person has first secured a license from the
160 commissioner, and has paid the license fee specified in section 38a-11,
161 for each two-year period or fraction thereof. Application for such license
162 shall be made as provided in section 38a-769. Any [such license issued
163 by the commissioner shall be in force until June thirtieth in each odd-
164 numbered year] initial license issued to an adjuster of casualty claims
165 shall expire two years after the date of the licensee's birthday that
166 preceded the date the license was issued unless sooner revoked or
167 suspended. The [person] licensee may, at the discretion of the
168 commissioner, renew the license biennially thereafter upon payment of
169 the fee specified in section 38a-11.

170 (2) The commissioner may waive the examination required under
171 section 38a-769, in the case of any applicant for a casualty claims
172 adjuster's license that (A) is a nonresident of this state or has its principal
173 place of business in another state, and holds an equivalent license from
174 any other state, or (B) at any time within two years next preceding the
175 date of application has been licensed in this state under a license of the
176 same type as the license applied for.

177 Sec. 5. Section 38a-48 of the general statutes is repealed and the
178 following is substituted in lieu thereof (*Effective October 1, 2024*):

179 (a) On or before June thirtieth, annually, the Commissioner of
180 Revenue Services shall render to the Insurance Commissioner a
181 statement certifying the amount of taxes or charges imposed on each
182 domestic insurance company or other domestic entity under chapter 207
183 on business done in this state during the preceding calendar year. The
184 statement for local domestic insurance companies shall set forth the
185 amount of taxes and charges before any tax credits allowed as provided
186 in subsection (a) of section 12-202.

187 (b) On or before July thirty-first, annually, the Insurance
188 Commissioner [and the Office of the Healthcare Advocate] shall render
189 to each domestic insurance company or other domestic entity liable for
190 payment under section 38a-47: (1) A statement that includes (A) the
191 amount appropriated to the Insurance Department, the Office of the
192 Healthcare Advocate and the Office of Health Strategy from the
193 Insurance Fund established under section 38a-52a for the fiscal year
194 beginning July first of the same year, (B) the cost of fringe benefits for
195 department and office personnel for such year, as estimated by the
196 Comptroller, (C) the estimated expenditures on behalf of the
197 department and the offices from the Capital Equipment Purchase Fund
198 pursuant to section 4a-9 for such year, not including such estimated
199 expenditures made on behalf of the Health Systems Planning Unit of the
200 Office of Health Strategy, and (D) the amount appropriated to the
201 Department of Aging and Disability Services for the fall prevention
202 program established in section 17a-859 from the Insurance Fund for the
203 fiscal year; (2) a statement of the total taxes imposed on all domestic
204 insurance companies and domestic insurance entities under chapter 207
205 on business done in this state during the preceding calendar year; and
206 (3) the proposed assessment against that company or entity, calculated
207 in accordance with the provisions of subsection (c) of this section,
208 provided for the purposes of this calculation the amount appropriated
209 to the Insurance Department, the Office of the Healthcare Advocate and
210 the Office of Health Strategy from the Insurance Fund plus the cost of
211 fringe benefits for department and office personnel and the estimated
212 expenditures on behalf of the department and [the office] such offices

213 from the Capital Equipment Purchase Fund pursuant to section 4a-9,
214 not including such expenditures made on behalf of the Health Systems
215 Planning Unit of the Office of Health Strategy shall be deemed to be the
216 actual expenditures of the department and [the office] such offices, and
217 the amount appropriated to the Department of Aging and Disability
218 Services from the Insurance Fund for the fiscal year for the fall
219 prevention program established in section 17a-859 shall be deemed to
220 be the actual expenditures for the program.

221 (c) (1) The proposed assessments for each domestic insurance
222 company or other domestic entity shall be calculated by (A) allocating
223 twenty per cent of the amount to be paid under section 38a-47 among
224 the domestic entities organized under sections 38a-199 to 38a-209,
225 inclusive, and 38a-214 to 38a-225, inclusive, in proportion to their
226 respective shares of the total taxes and charges imposed under chapter
227 207 on such entities on business done in this state during the preceding
228 calendar year, and (B) allocating eighty per cent of the amount to be paid
229 under section 38a-47 among all domestic insurance companies and
230 domestic entities other than those organized under sections 38a-199 to
231 38a-209, inclusive, and 38a-214 to 38a-225, inclusive, in proportion to
232 their respective shares of the total taxes and charges imposed under
233 chapter 207 on such domestic insurance companies and domestic
234 entities on business done in this state during the preceding calendar
235 year, provided if there are no domestic entities organized under sections
236 38a-199 to 38a-209, inclusive, and 38a-214 to 38a-225, inclusive, at the
237 time of assessment, one hundred per cent of the amount to be paid
238 under section 38a-47 shall be allocated among such domestic insurance
239 companies and domestic entities.

240 (2) When the amount any such company or entity is assessed
241 pursuant to this section exceeds twenty-five per cent of the actual
242 expenditures of the Insurance Department, the Office of the Healthcare
243 Advocate and the Office of Health Strategy from the Insurance Fund,
244 such excess amount shall not be paid by such company or entity but
245 rather shall be assessed against and paid by all other such companies
246 and entities in proportion to their respective shares of the total taxes and

247 charges imposed under chapter 207 on business done in this state during
248 the preceding calendar year, except that for purposes of any assessment
249 made to fund payments to the Department of Public Health to purchase
250 vaccines, such company or entity shall be responsible for its share of the
251 costs, notwithstanding whether its assessment exceeds twenty-five per
252 cent of the actual expenditures of the Insurance Department, the Office
253 of the Healthcare Advocate and the Office of Health Strategy from the
254 Insurance Fund. The provisions of this subdivision shall not be
255 applicable to any corporation [which] that has converted to a domestic
256 mutual insurance company pursuant to section 38a-155 upon the
257 effective date of any public act [which] that amends said section to
258 modify or remove any restriction on the business such a company may
259 engage in, for purposes of any assessment due from such company on
260 and after such effective date.

261 (d) For purposes of calculating the amount of payment under section
262 38a-47, as well as the amount of the assessments under this section, the
263 "total taxes imposed on all domestic insurance companies and other
264 domestic entities under chapter 207" shall be based upon the amounts
265 shown as payable to the state for the calendar year on the returns filed
266 with the Commissioner of Revenue Services pursuant to chapter 207;
267 with respect to calculating the amount of payment and assessment for
268 local domestic insurance companies, the amount used shall be the taxes
269 and charges imposed before any tax credits allowed as provided in
270 subsection (a) of section 12-202.

271 [(e) On or before September thirtieth, annually, for each fiscal year
272 ending prior to July 1, 1990, the Insurance Commissioner and the
273 Healthcare Advocate, after receiving any objections to the proposed
274 assessments and making such adjustments as in their opinion may be
275 indicated, shall assess each such domestic insurance company or other
276 domestic entity an amount equal to its proposed assessment as so
277 adjusted. Each domestic insurance company or other domestic entity
278 shall pay to the Insurance Commissioner on or before October thirty-
279 first an amount equal to fifty per cent of its assessment adjusted to reflect
280 any credit or amount due from the preceding fiscal year as determined

281 by the commissioner under subsection (g) of this section. Each domestic
282 insurance company or other domestic entity shall pay to the Insurance
283 Commissioner on or before the following April thirtieth, the remaining
284 fifty per cent of its assessment.]

285 ~~[(f)]~~ (e) On or before September first, annually, for each fiscal year,
286 [ending after July 1, 1990,] the Insurance Commissioner, [and the
287 Healthcare Advocate,] after receiving any objections to the proposed
288 assessments and making such adjustments as in [their] the
289 commissioner's opinion may be indicated, shall assess each such
290 domestic insurance company or other domestic entity an amount equal
291 to its proposed assessment as so adjusted. Each domestic insurance
292 company or other domestic entity shall pay to the Insurance
293 Commissioner (1) [on or before June 30, 1990, and] on or before June
294 thirtieth, annually, [thereafter,] an estimated payment against its
295 assessment for the following year equal to twenty-five per cent of its
296 assessment for the fiscal year ending such June thirtieth, (2) on or before
297 September thirtieth, annually, twenty-five per cent of its assessment
298 adjusted to reflect any credit or amount due from the preceding fiscal
299 year as determined by the commissioner under subsection ~~[(g)]~~ (f) of this
300 section, and (3) on or before the following December thirty-first and
301 March thirty-first, annually, each domestic insurance company or other
302 domestic entity shall pay to the Insurance Commissioner the remaining
303 fifty per cent of its proposed assessment to the department in two equal
304 installments.

305 ~~[(g)]~~ (f) If the actual expenditures for the fall prevention program
306 established in section 17a-859 are less than the amount allocated, the
307 Commissioner of Aging and Disability Services shall notify the
308 Insurance Commissioner, [and the Healthcare Advocate.] Immediately
309 following the close of the fiscal year, the Insurance Commissioner [and
310 the Healthcare Advocate] shall recalculate the proposed assessment for
311 each domestic insurance company or other domestic entity in
312 accordance with subsection (c) of this section using the actual
313 expenditures made during the fiscal year by the Insurance Department,
314 the Office of the Healthcare Advocate and the Office of Health Strategy

315 from the Insurance Fund, the actual expenditures made on behalf of the
316 department and the offices from the Capital Equipment Purchase Fund
317 pursuant to section 4a-9, not including such expenditures made on
318 behalf of the Health Systems Planning Unit of the Office of Health
319 Strategy, and the actual expenditures for the fall prevention program.
320 On or before July thirty-first, annually, the Insurance Commissioner
321 [and the Healthcare Advocate] shall render to each such domestic
322 insurance company and other domestic entity a statement showing the
323 difference between their respective recalculated assessments and the
324 amount they have previously paid. On or before August thirty-first, the
325 Insurance Commissioner, [and the Healthcare Advocate,] after
326 receiving any objections to such statements, shall make such
327 adjustments which in their opinion may be indicated, and shall render
328 an adjusted assessment, if any, to the affected companies. Any such
329 domestic insurance company or other domestic entity may pay to the
330 Insurance Commissioner the entire assessment required under this
331 subsection in one payment when the first installment of such assessment
332 is due.

333 [(h)] (g) If any assessment is not paid when due, a penalty of twenty-
334 five dollars shall be added thereto, and interest at the rate of six per cent
335 per annum shall be paid thereafter on such assessment and penalty.

336 [(i)] (h) The Insurance Commissioner shall deposit all payments
337 made under this section with the State Treasurer. On and after June 6,
338 1991, the moneys so deposited shall be credited to the Insurance Fund
339 established under section 38a-52a and shall be accounted for as expenses
340 recovered from insurance companies.

341 Sec. 6. Subsection (a) of section 38a-53 of the general statutes is
342 repealed and the following is substituted in lieu thereof (*Effective October*
343 *1, 2024*):

344 (a) (1) Each domestic insurance company or domestic health care
345 center shall, annually, on or before the first day of March, submit to the
346 commissioner, [and] by electronically [to] filing with the National

347 Association of Insurance Commissioners, a true and complete report,
348 signed and sworn to by its president or a vice president, and secretary
349 or an assistant secretary, of its financial condition on the thirty-first day
350 of December next preceding, prepared in accordance with the National
351 Association of Insurance Commissioners annual statement instructions
352 handbook and following those accounting procedures and practices
353 prescribed by the National Association of Insurance Commissioners
354 accounting practices and procedures manual, subject to any deviations
355 in form and detail as may be prescribed by the commissioner. An
356 electronically filed report in accordance with section 38a-53a that is
357 timely submitted to the National Association of Insurance
358 Commissioners shall [not exempt a domestic insurance company or
359 domestic health care center from timely filing a true and complete paper
360 copy with the commissioner] be deemed to have been submitted to the
361 commissioner in accordance with the provisions of this section.

362 (2) Each accredited reinsurer, as defined in subdivision (1) of
363 subsection (c) of section 38a-85, and assuming insurance company, as
364 provided in section 38a-85, shall file an annual report in accordance with
365 the provisions of section 38a-85.

366 Sec. 7. Subsection (a) of section 38a-54 of the general statutes is
367 repealed and the following is substituted in lieu thereof (*Effective October*
368 *1, 2024*):

369 (a) Each domestic insurance company, domestic health care center or
370 domestic fraternal benefit society doing business in this state shall have
371 an annual audit conducted by an independent certified public
372 accountant and shall annually file an audited financial report with the
373 commissioner, and electronically to the National Association of
374 Insurance Commissioners on or before the first day of June for the year
375 ending the preceding December thirty-first. An electronically filed true
376 and complete report timely submitted to the National Association of
377 Insurance Commissioners [does not exempt a domestic insurance
378 company or a domestic health care center from timely filing a true and
379 complete paper copy to the commissioner] shall be deemed to have been

380 submitted to the commissioner in accordance with the provisions of this
381 section.

382 Sec. 8. Section 38a-297 of the general statutes is repealed and the
383 following is substituted in lieu thereof (*Effective October 1, 2024*):

384 (a) For the purposes of sections 38a-295 to 38a-300, inclusive, a policy
385 shall be deemed readable if: (1) The text achieves a minimum score of
386 forty-five on the Flesch reading ease test as computed in section 38a-298
387 or an equivalent score on any other test comparable in result and
388 approved by the commissioner, (2) it is printed, except for specification
389 pages, schedules and tables, in not less than ten-point type, one-point
390 leaded, of a height and style specified by the commissioner in
391 regulations adopted in accordance with the provisions of chapter 54, (3)
392 it uses layout and spacing which separate the paragraphs from each
393 other and from the border of the paper, (4) it has section titles captioned
394 in boldface type or which otherwise stand out significantly from the
395 text, (5) it avoids the use of unnecessarily long, complicated or obscure
396 words, sentences, paragraphs or constructions, (6) the style,
397 arrangement and overall appearance of the policy give no undue
398 prominence to any portion of the text of the policy or to any
399 endorsements or riders and (7) it contains a table of contents or an index
400 of the principal sections of the policy, if the policy has more than three
401 thousand words or if the policy has more than three pages. To be
402 deemed readable, each policy of individual health insurance shall
403 include a separate outline of coverage showing the major coverage,
404 benefit, exclusion and renewal provisions of the policy in readily
405 understandable terms, provided the policy shall take precedence over
406 the outline of coverage.

407 (b) The commissioner may authorize a lower score than the Flesch
408 reading ease score required in subsection (a) whenever [he] the
409 commissioner finds that a lower score (1) will provide a more accurate
410 reflection of the readability of a policy form; (2) is warranted by the
411 nature of a particular policy form or type or class of policy forms; or (3)
412 is the result of language which is used to conform to the requirements

413 of any state or federal law, regulation or governmental agency.

414 (c) Filings subject to this section shall be accompanied by a
415 certification signed by an officer of the insurer stating that it meets the
416 requirements of subsection (a) of this section. Such certification shall
417 state that the policy meets the minimum reading ease score on the test
418 used or that the score is lower than the minimum required but should
419 be approved in accordance with subsection (b) of this section. The
420 commissioner may require the submission of further information to
421 verify any certification.

422 (d) Filings subject to this section may be filed with the commissioner
423 in any language. Any non-English-language policy shall be deemed to
424 be in compliance with subsection (a) of this section if the insurer certifies
425 that such policy [is translated from an English-language policy that]
426 complies with [said] subsection (a) of this section or is translated from a
427 policy that complies with subsection (a) of this section.

428 (e) The commissioner may engage the services of any translation
429 service, as needed, to review any non-English-language policy filed
430 with the commissioner pursuant to this section, the cost of which shall
431 be borne by the insurer that submits such filing.

432 (f) (1) For any insurer that files a non-English-language policy with
433 the commissioner, the commissioner may require that such insurer
434 either (A) provide an English translated copy of such policy and a
435 certification as to the accuracy of such translated copy of such policy, or
436 (B) pay all costs associated with the translation of such policy in
437 accordance with the provisions of subsection (e) of this section.

438 (2) Any insurer shall accept all risk associated with any translation of
439 such insurer's non-English-language policy in accordance with
440 subdivision (1) of this subsection and subsection (e) of this section.

441 (g) The commissioner may adopt regulations, in accordance with the
442 provisions of chapter 54, to implement the provisions of this section.

443 Sec. 9. Section 38a-479ppp of the general statutes is repealed and the
444 following is substituted in lieu thereof (*Effective January 1, 2025*):

445 (a) Not later than [March 1, 2021] February 1, 2025, and annually
446 thereafter, each pharmacy benefits manager shall file a report with the
447 commissioner for the immediately preceding calendar year. The report
448 shall contain the following information for health carriers that
449 delivered, issued for delivery, renewed, amended or continued health
450 care plans that included a pharmacy benefit managed by the pharmacy
451 benefits manager during such calendar year:

452 (1) The aggregate dollar amount of all rebates concerning drug
453 formularies used by such health carriers that such manager collected
454 from pharmaceutical manufacturers that manufactured outpatient
455 prescription drugs that (A) were covered by such health carriers during
456 such calendar year, and (B) are attributable to patient utilization of such
457 drugs during such calendar year; and

458 (2) The aggregate dollar amount of all rebates, excluding any portion
459 of the rebates received by such health carriers, concerning drug
460 formularies that such manager collected from pharmaceutical
461 manufacturers that manufactured outpatient prescription drugs that (A)
462 were covered by such health carriers during such calendar year, and (B)
463 are attributable to patient utilization of such drugs by covered persons
464 under such health care plans during such calendar year.

465 (b) The commissioner shall establish a standardized form for
466 reporting information pursuant to subsection (a) of this section after
467 consultation with pharmacy benefits managers. The form shall be
468 designed to minimize the administrative burden and cost of reporting
469 on the department and pharmacy benefits managers.

470 (c) All information submitted to the commissioner pursuant to
471 subsection (a) of this section shall be exempt from disclosure under the
472 Freedom of Information Act, as defined in section 1-200, except to the
473 extent such information is included on an aggregated basis in the report
474 required by subsection (d) of this section. The commissioner shall not

475 disclose information submitted pursuant to subdivision (1) of
476 subsection (a) of this section, or information submitted pursuant to
477 subdivision (2) of said subsection in a manner that (1) is likely to
478 compromise the financial, competitive or proprietary nature of such
479 information, or (2) would enable a third party to identify a health care
480 plan, health carrier, pharmacy benefits manager, pharmaceutical
481 manufacturer, or the value of a rebate provided for a particular
482 outpatient prescription drug or therapeutic class of outpatient
483 prescription drugs.

484 (d) Not later than [March 1, 2022] March 1, 2025, and annually
485 thereafter, the commissioner shall submit a report, in accordance with
486 section 11-4a, to the joint standing committee of the General Assembly
487 having cognizance of matters relating to insurance. The report shall
488 contain (1) an aggregation of the information submitted to the
489 commissioner pursuant to subsection (a) of this section for the
490 immediately preceding calendar year, and (2) such other information as
491 the commissioner, in the commissioner's discretion, deems relevant for
492 the purposes of this section. Not later than [February 1, 2022, and
493 annually thereafter] ten days prior to the submission of the annual
494 report pursuant to the provisions of this subsection, the commissioner
495 shall provide each pharmacy benefits manager and any third party
496 affected by submission of [a] such report required by this subsection
497 with a written notice describing the content of the report.

498 (e) The commissioner may impose a penalty of not more than seven
499 thousand five hundred dollars on a pharmacy benefits manager for each
500 violation of this section.

501 (f) The commissioner may adopt regulations, in accordance with the
502 provisions of chapter 54, to implement the provisions of this section.

503 Sec. 10. Section 38a-556 of the general statutes is repealed and the
504 following is substituted in lieu thereof (*Effective from passage*):

505 (a) There is hereby created a nonprofit legal entity to be known as the
506 Health Reinsurance Association. All insurers, health care centers and

507 self-insurers doing business in the state, as a condition to their authority
508 to transact the applicable kinds of health insurance defined in section
509 38a-551, shall be members of the association. The association shall
510 perform its functions under a plan of operation established and
511 approved under subsection (b) of this section, and shall exercise its
512 powers through a board of directors established under this section.

513 (b) (1) The board of directors of the association shall be made up of
514 nine individuals selected by participating members, subject to approval
515 by the commissioner, two of whom shall be appointed by the
516 commissioner on or before July 1, 1993, to represent health care centers.
517 To select the initial board of directors, and to initially organize the
518 association, the commissioner shall give notice to all members of the
519 time and place of the organizational meeting. In determining voting
520 rights at the organizational meeting each member shall be entitled to
521 vote in person or proxy. The vote shall be a weighted vote based upon
522 the net health insurance premium derived from this state in the previous
523 calendar year. If the board of directors is not selected within sixty days
524 after notice of the organizational meeting, the commissioner may
525 appoint the initial board. In approving or selecting members of the
526 board, the commissioner may consider, among other things, whether all
527 members are fairly represented. Members of the board may be
528 reimbursed from the moneys of the association for expenses incurred by
529 them as members, but shall not otherwise be compensated by the
530 association for their services.

531 (2) The board shall submit to the commissioner a plan of operation
532 for the association necessary or suitable to assure the fair, reasonable
533 and equitable administration of the association. The plan of operation
534 shall become effective upon approval in writing by the commissioner.
535 Such plan shall continue in force until modified by the commissioner or
536 superseded by a plan submitted by the board and approved by the
537 commissioner. The plan of operation shall: (A) Establish procedures for
538 the handling and accounting of assets and moneys of the association; (B)
539 establish regular times and places for meetings of the board of directors;
540 (C) establish procedures for records to be kept of all financial

541 transactions, and for the annual fiscal reporting to the commissioner; (D)
542 establish procedures whereby selections for the board of directors shall
543 be made and submitted to the commissioner; (E) establish procedures to
544 amend, subject to the approval of the commissioner, the plan of
545 operations; (F) establish procedures for the selection of an administrator
546 and set forth the powers and duties of the administrator; (G) contain
547 additional provisions necessary or proper for the execution of the
548 powers and duties of the association; and (H) contain additional
549 provisions necessary for the association to establish health insurance
550 plans that qualify as acceptable coverage in accordance with the Pension
551 Benefit Guaranty Corporation and other state or federal programs that
552 may be established.

553 (c) The association shall have the general powers and authority
554 granted under the laws of this state to carriers to transact the kinds of
555 insurance defined under section 38a-551, and in addition thereto, the
556 specific authority to: (1) Enter into contracts necessary or proper to carry
557 out the provisions and purposes of this section and sections 38a-551 and
558 [38a-556a] 38a-557 to 38a-559, inclusive; (2) sue or be sued, including
559 taking any legal actions necessary or proper for recovery of any
560 assessments for, on behalf of, or against participating members; (3) take
561 such legal action as necessary to avoid the payment of improper claims
562 against the association or the coverage provided by or through the
563 association; (4) establish, with respect to health insurance provided by
564 or on behalf of the association, appropriate rates, scales of rates, rate
565 classifications and rating adjustments, such rates not to be unreasonable
566 in relation to the coverage provided and the operational expenses of the
567 association; (5) administer any type of reinsurance program, for or on
568 behalf of participating members; (6) pool risks among participating
569 members; (7) issue policies of insurance required or permitted by this
570 section and sections 38a-551 and [38a-556a] 38a-557 to 38a-559,
571 inclusive, in its own name or on behalf of participating members; (8)
572 administer separate pools, separate accounts or other plans as deemed
573 appropriate for separate members or groups of members; (9) operate
574 and administer any combination of plans, pools, reinsurance

575 arrangements or other mechanisms as deemed appropriate to best
576 accomplish the fair and equitable operation of the association; (10) set
577 limits on the amounts of reinsurance that may be ceded to the
578 association by its members; (11) appoint from among participating
579 members appropriate legal, actuarial and other committees as necessary
580 to provide technical assistance in the operation of the association, policy
581 and other contract design, and any other function within the authority
582 of the association; (12) apply for and accept grants, gifts and bequests of
583 funds from other states, federal and interstate agencies and independent
584 authorities, private firms, individuals and foundations for the purpose
585 of carrying out its responsibilities. Any such funds received shall be
586 deposited in the General Fund and shall be credited to a separate
587 nonlapsing account within the General Fund for the Health Reinsurance
588 Association and may be used by the Health Reinsurance Association in
589 the performance of its duties; and (13) perform such other duties and
590 responsibilities as may be required by state or federal law or permitted
591 by state or federal law and approved by the commissioner.

592 (d) Rates for coverage issued by or through the association shall not
593 be excessive, inadequate or unfairly discriminatory. All rates shall be
594 promulgated by the association through an actuarial committee
595 consisting of five persons who are members of the American Academy
596 of Actuaries, shall be filed with the commissioner and may be
597 disapproved within sixty days after the filing thereof if excessive,
598 inadequate or unfairly discriminatory.

599 (e) (1) Following the close of each fiscal year, the administrator shall
600 determine the net premiums, reinsurance premiums less administrative
601 expense allowance, the expense of administration pertaining to the
602 reinsurance operations of the association and the incurred losses for the
603 year. Any net loss shall be assessed to all participating members in
604 proportion to their respective shares of the total health insurance
605 premiums earned in this state during the calendar year, or with paid
606 losses in the year, coinciding with or ending during the fiscal year of the
607 association or on any other equitable basis as may be provided in the
608 plan of operations. For self-insured members of the association, health

609 insurance premiums earned shall be established by dividing the amount
610 of paid health losses for the applicable period by eighty-five per cent.
611 Net gains, if any, shall be held at interest to offset future losses or
612 allocated to reduce future premiums.

613 (2) Any net loss to the association represented by the excess of its
614 actual expenses of administering policies issued by the association over
615 the applicable expense allowance shall be separately assessed to those
616 participating members who do not elect to administer their plans. All
617 assessments shall be on an equitable formula established by the board.

618 (3) The association shall conduct periodic audits to assure the general
619 accuracy of the financial data submitted to the association and the
620 association shall have an annual audit of its operations by an
621 independent certified public accountant. The annual audit shall be filed
622 with the commissioner for his review and the association shall be subject
623 to the provisions of section 38a-14.

624 (f) All policy forms issued by or through the association shall conform
625 in substance to prototype forms developed by the association, shall in
626 all other respects conform to the requirements of this section and
627 sections 38a-551 and [38a-556a] 38a-557 to 38a-559, inclusive, and shall
628 be approved by the commissioner. The commissioner may disapprove
629 any such form if it contains a provision or provisions that are unfair or
630 deceptive or that encourage misrepresentation of the policy.

631 (g) Unless otherwise permitted by the plan of operation, the
632 association shall not issue, reissue or continue in force health care plan
633 coverage with respect to any person who is already covered under an
634 individual or group health care plan, or who is sixty-five years of age or
635 older and eligible for Medicare or who is not a resident of this state.

636 (h) Benefits payable under a health care plan insured by or reinsured
637 through the association shall be paid net of all other health insurance
638 benefits paid or payable through any other source, and net of all health
639 insurance coverages provided by or pursuant to any other state or
640 federal law including Title XVIII of the Social Security Act, Medicare,

641 but excluding Medicaid.

642 (i) There shall be no liability on the part of and no cause of action of
643 any nature shall arise against any carrier or its agents or its employees,
644 the Health Reinsurance Association or its agents or its employees or the
645 residual market mechanism established under the provisions of section
646 38a-557 or its agents or its employees, or the commissioner or the
647 commissioner's representatives for any action taken by them in the
648 performance of their duties under this section and sections 38a-551 and
649 [38a-556a] 38a-557 to 38a-559, inclusive. This provision shall not apply
650 to the obligations of a carrier, a self-insurer, the Health Reinsurance
651 Association or the residual market mechanism for payment of benefits
652 provided under a health care plan.

653 Sec. 11. Subdivision (4) of section 38a-564 of the general statutes is
654 repealed and the following is substituted in lieu thereof (*Effective October*
655 *1, 2024*):

656 (4) (A) "Small employer" means (i) prior to January 1, 2016, an
657 employer that employed an average of at least one but not more than
658 fifty employees on business days during the preceding calendar year
659 and employs at least one employee on the first day of the group health
660 insurance plan year, [and] (ii) on and after January 1, 2016, and prior to
661 January 1, 2025, an employer that employed an average of at least one
662 but not more than one hundred employees on business days during the
663 preceding calendar year and employs at least one employee on the first
664 day of the group health insurance plan year, [except the commissioner
665 may postpone said January 1, 2016, date to be consistent with any such
666 postponement made by the Secretary of the United States Department
667 of Health and Human Services under the Patient Protection and
668 Affordable Care Act, P.L. 111-148, as amended from time to time] and
669 (iii) on and after January 1, 2025, an employer that employed an average
670 of at least one but not more than fifty employees on business days
671 during the preceding calendar year and employs at least one employee
672 on the first day of the group health insurance plan year. "Small
673 employer" does not include a sole proprietorship that employs only the

674 sole proprietor or the spouse of such sole proprietor.

675 (B) (i) For purposes of subparagraph (A) of this subdivision, the
676 number of employees shall be determined by adding (I) the number of
677 full-time employees for each month who work a normal work week of
678 thirty hours or more, and (II) the number of full-time equivalent
679 employees, calculated for each month by dividing by one hundred
680 twenty the aggregate number of hours worked for such month by
681 employees who work a normal work week of less than thirty hours, and
682 averaging such total for the calendar year.

683 (ii) If an employer was not in existence throughout the preceding
684 calendar year, the number of employees shall be based on the average
685 number of employees that such employer reasonably expects to employ
686 in the current calendar year.

687 (C) All persons treated as a single employer under Section 414 of the
688 Internal Revenue Code of 1986, or any subsequent corresponding
689 internal revenue code of the United States, as amended from time to
690 time, shall be considered a single employer for purposes of this
691 subdivision.

692 Sec. 12. Subdivision (1) of section 38a-614 of the general statutes is
693 repealed and the following is substituted in lieu thereof (*Effective October*
694 *1, 2024*):

695 (1) Each domestic society transacting business in this state shall,
696 annually, on or before the first day of March, unless the commissioner
697 has extended such time for cause shown, file with the commissioner,
698 and electronically to the National Association of Insurance
699 Commissioners, a true and complete statement of its financial condition,
700 transactions and affairs for the preceding calendar year and pay the fee
701 specified in section 38a-11 for filing such annual statement. The
702 statement shall be in general form and context as approved by the
703 National Association of Insurance Commissioners for fraternal benefit
704 societies and as supplemented by additional information required by
705 the commissioner. An electronically filed true and complete report filed

706 in accordance with section 38a-53a that is timely submitted to the
707 National Association of Insurance Commissioners shall [not exempt a
708 domestic society from timely filing a true and complete paper copy with
709 the commissioner] be deemed to have been submitted to the
710 commissioner in accordance with the provisions of this section.

711 Sec. 13. Subsection (b) of section 38a-591l of the general statutes is
712 repealed and the following is substituted in lieu thereof (*Effective October*
713 *1, 2024*):

714 (b) (1) Any independent review organization seeking to conduct
715 external reviews and expedited external reviews under section 38a-591g
716 shall submit the application form for approval or reapproval, as
717 applicable, to the commissioner and shall include all documentation
718 and information necessary for the commissioner to determine if the
719 independent review organization satisfies the minimum qualifications
720 established under this section.

721 (2) An approval or reapproval shall be effective for [two] three years,
722 unless the commissioner determines before the expiration of such
723 approval or reapproval that the independent review organization no
724 longer satisfies the minimum qualifications established under this
725 section.

726 (3) Whenever the commissioner determines that an independent
727 review organization has lost its accreditation or no longer satisfies the
728 minimum requirements established under this section, the
729 commissioner shall terminate the approval of the independent review
730 organization and remove the independent review organization from the
731 list of approved independent review organizations specified in
732 subdivision (2) of subsection (a) of this section.

733 Sec. 14. Section 38a-91aa of the general statutes is repealed and the
734 following is substituted in lieu thereof (*Effective October 1, 2024*):

735 As used in this section, sections 38a-91bb to 38a-91uu, inclusive, [and]
736 sections 38a-91ww_z, [and] 38a-91xx and section 15 of this act:

737 (1) "Affiliated company" means any company in the same corporate
738 system as a parent, an industrial insured or a member organization by
739 virtue of common ownership, control, operation or management.

740 (2) "Agency captive insurance company" means a captive insurance
741 company that:

742 (A) Is owned or directly or indirectly controlled by one or more
743 insurance agents or insurance producers licensed in accordance with
744 sections 38a-702a to 38a-702r, inclusive;

745 (B) Only insures against risks covered by insurance policies sold,
746 solicited or negotiated through the insurance agents or insurance
747 producers that own or control such captive insurance company; and

748 (C) Does not insure against risks covered by any health insurance
749 policy or plan.

750 (3) "Alien captive insurance company" means any insurance
751 company formed to write insurance business for its parent and affiliated
752 companies and licensed pursuant to the laws of an alien jurisdiction that
753 imposes statutory or regulatory standards on companies transacting the
754 business of insurance in such jurisdiction that the commissioner deems
755 to be acceptable.

756 (4) "Association" means any legal association of individuals,
757 corporations, limited liability companies, partnerships, associations or
758 other entities, where the association itself or some or all of the member
759 organizations:

760 (A) Directly or indirectly own, control or hold with power to vote all
761 of the outstanding voting securities or other voting interests of an
762 association captive insurance company incorporated as a stock insurer;

763 (B) Have complete voting control over an association captive
764 insurance company incorporated as a mutual corporation or formed as
765 a limited liability company; or

766 (C) Constitute all of the subscribers of an association captive
767 insurance company formed as a reciprocal insurer.

768 (5) "Association captive insurance company" means any company
769 that insures risks of the member organizations of an association, and
770 includes a company that also insures risks of such member
771 organizations' affiliated companies or of the association.

772 (6) "Branch business" means any insurance business transacted in this
773 state by a branch captive insurance company.

774 (7) "Branch captive insurance company" means any alien captive
775 insurance company or foreign captive insurance company licensed by
776 the commissioner to transact the business of insurance in this state
777 through a business unit with a principal place of business in this state.

778 (8) "Branch operations" means any business operations in this state of
779 a branch captive insurance company.

780 (9) "Captive insurance company" means any (A) pure captive
781 insurance company, agency captive insurance company, association
782 captive insurance company, industrial insured captive insurance
783 company, risk retention group, sponsored captive insurance company
784 or special purpose financial captive insurance company that is
785 domiciled in this state and formed or licensed under the provisions of
786 this section and sections 38a-91bb to 38a-91tt, inclusive, or (B) branch
787 captive insurance company.

788 (10) "Ceding insurer" means an insurance company, approved by the
789 commissioner and licensed or otherwise authorized to transact the
790 business of insurance or reinsurance in its state or country of domicile,
791 that cedes risk to a special purpose financial captive insurance company
792 pursuant to a reinsurance contract.

793 (11) "Commissioner" means the Insurance Commissioner.

794 (12) "Controlled unaffiliated business" means any person:

795 (A) Who, (i) in the case of a pure captive insurance company, is not
796 in the corporate system of a parent and the parent's affiliated companies,
797 (ii) in the case of an industrial insured captive insurance company, is not
798 in the corporate system of an industrial insured and the industrial
799 insured's affiliated companies, or (iii) in the case of a sponsored captive
800 insurance company, is not in the corporate system of a participant and
801 the participant's affiliated companies;

802 (B) Who, (i) in the case of a pure captive insurance company, has an
803 existing contractual relationship with a parent or one of the parent's
804 affiliated companies, (ii) in the case of an industrial insured captive
805 insurance company, has an existing contractual relationship with an
806 industrial insured or one of the industrial insured's affiliated companies,
807 or (iii) in the case of a sponsored captive insurance company, has an
808 existing contractual relationship with a participant or one of the
809 participant's affiliated companies; and

810 (C) Whose risks are managed by a pure captive insurance company,
811 an industrial insured captive insurance company or a sponsored captive
812 insurance company, as applicable, in accordance with section 38a-91qq.

813 (13) "Excess workers' compensation insurance" means, in the case of
814 an employer that has insured or self-insured its workers' compensation
815 risks in accordance with applicable state or federal law, insurance in
816 excess of a specified per-incident or aggregate limit established by the
817 commissioner.

818 (14) "Foreign captive insurance company" means any insurance
819 company formed to write insurance business for its parent and affiliated
820 companies and licensed pursuant to the laws of a foreign jurisdiction
821 that imposes statutory or regulatory standards on companies
822 transacting the business of insurance in such jurisdiction that the
823 commissioner deems to be acceptable.

824 (15) "Incorporated protected cell" means a protected cell that is
825 established as a corporation or a limited liability company, separate
826 from the sponsored captive insurance company with which it has

827 entered into a participant contract.

828 (16) "Industrial insured" means an insured:

829 (A) Who procures the insurance of any risk or risks by use of the
830 services of a full-time employee acting as an insurance manager or
831 buyer;

832 (B) Whose aggregate annual premiums for insurance on all risks total
833 at least twenty-five thousand dollars; and

834 (C) Who has at least twenty-five full-time employees.

835 (17) "Industrial insured captive insurance company" means any
836 company that insures risks of the industrial insureds that comprise an
837 industrial insured group, and includes a company that also insures risks
838 of such industrial insureds' affiliated companies.

839 (18) "Industrial insured group" means any group of industrial
840 insureds that collectively:

841 (A) Directly or indirectly own, control or hold with power to vote all
842 of the outstanding voting securities or other voting interests of an
843 industrial insured captive insurance company incorporated as a stock
844 insurer;

845 (B) Have complete voting control over an industrial insured captive
846 insurance company incorporated as a mutual corporation or formed as
847 a limited liability company; or

848 (C) Constitute all of the subscribers of an industrial insured captive
849 insurance company formed as a reciprocal insurer.

850 (19) "Insurance securitization" or "securitization" means a transaction
851 or a group of related transactions, which may include capital market
852 offerings, that are effected through related risk transfer instruments and
853 facilitating administrative agreements, in which all or part of the result
854 of such transaction is used to fund a special purpose financial captive

855 insurance company's obligations under a reinsurance contract with a
856 ceding insurer and by which:

857 (A) A special purpose financial captive insurance company directly
858 or indirectly obtains proceeds through the issuance of securities by such
859 company or any other person; or

860 (B) A person provides, for the benefit of a special purpose financial
861 captive insurance company, one or more letters of credit or other assets
862 that the commissioner has authorized such company to treat as
863 admitted assets for purposes of its annual report. "Insurance
864 securitization" or "securitization" does not include the issuance of a
865 letter of credit for the benefit of the commissioner to satisfy all or part of
866 a special purpose financial captive insurance company's capital and
867 surplus requirements under section 38a-91dd.

868 (20) "Member organization" means any individual, corporation,
869 limited liability company, partnership, association or other entity that
870 belongs to an association.

871 (21) "Mutual corporation" means a corporation organized without
872 stockholders and includes a nonprofit corporation with members.

873 (22) "Parent" means any individual, corporation, limited liability
874 company, partnership or other entity that directly or indirectly owns,
875 controls or holds with power to vote more than fifty per cent of the
876 outstanding voting:

877 (A) Securities of a pure captive insurance company organized as a
878 stock insurer; or

879 (B) Membership interests of a pure captive insurance company
880 organized as a nonprofit corporation or as a limited liability company.

881 (23) "Participant" means any association, corporation, limited liability
882 company, partnership, trust or other entity, and any affiliated company
883 or controlled unaffiliated business thereof, that is insured by a
884 sponsored captive insurance company pursuant to a participant

885 contract.

886 (24) "Participant contract" means a contract entered into by a
887 sponsored captive insurance company and a participant by which the
888 sponsored captive insurance company insures the risks of the
889 participant and limits the losses of each such participant to its pro rata
890 share of the assets of one or more protected cells identified in such
891 participant contract.

892 (25) "Protected cell" means a separate account established by a
893 sponsored captive insurance company, in which assets are maintained
894 for one or more participants in accordance with the terms of one or more
895 participant contracts to fund the liability of the sponsored captive
896 insurance company assumed on behalf of such participants as set forth
897 in such participant contracts.

898 (26) "Pure captive insurance company" means any company that
899 insures risks of its parent and affiliated companies or controlled
900 unaffiliated business.

901 (27) "Reinsurance contract" means a contract entered into by a special
902 purpose financial captive insurance company and a ceding insurer by
903 which the special purpose financial captive insurance company agrees
904 to provide reinsurance to the ceding insurer for risks associated with the
905 ceding insurer's insurance or reinsurance business.

906 (28) "Risk retention group" means a captive insurance company
907 organized under the laws of this state pursuant to the federal Liability
908 Risk Retention Act of 1986, 15 USC 3901 et seq., as amended from time
909 to time, as a stock insurer or mutual corporation, a reciprocal or other
910 limited liability entity.

911 (29) "Security" has the same meaning as provided in section 36b-3 and
912 includes any form of debt obligation, equity, surplus certificate, surplus
913 note, funding agreement, derivative or other financial instrument that
914 the commissioner designates as a security for purposes of this section
915 and sections 38a-91bb to 38a-91tt, inclusive.

916 (30) "Special purpose financial captive insurance company" means a
917 company that is licensed by the commissioner in accordance with
918 section 38a-91bb.

919 (31) "Special purpose financial captive insurance company security"
920 means a security issued by (A) a special purpose financial captive
921 insurance company, or (B) a third party, the proceeds of which are
922 obtained directly or indirectly by a special purpose financial captive
923 insurance company.

924 (32) "Sponsor" means any association, corporation, limited liability
925 company, partnership, trust or other entity that is approved by the
926 commissioner to organize and operate a sponsored captive insurance
927 company and to provide all or part of the required unimpaired paid-in
928 capital and surplus.

929 (33) "Sponsored captive insurance company" means a captive
930 insurance company:

931 (A) In which the minimum required unimpaired paid-in capital and
932 surplus are provided by one or more sponsors;

933 (B) That insures risks of its participants only through separate
934 participant contracts; and

935 (C) That funds its liability to each participant through one or more
936 protected cells and segregates the assets of each protected cell from the
937 assets of other protected cells and from the assets of the sponsored
938 captive insurance company's general account.

939 (34) "Surplus note" means an unsecured subordinated debt obligation
940 possessing characteristics consistent with the National Association of
941 Insurance Commissioners Statement of Statutory Accounting Principles
942 No. 41, as amended from time to time, and as modified or supplemented
943 by the commissioner.

944 Sec. 15. (NEW) (*Effective October 1, 2024*) (a) (1) Any sponsored captive
945 insurance company, including a sponsored captive insurance company

946 licensed as a special purpose financial captive insurance company, may,
947 upon application of such sponsored captive insurance company and
948 with the commissioner's prior written approval, convert one or more
949 protected cells or incorporated protected cells into a:

950 (A) Single protected cell or incorporated protected cell;

951 (B) New sponsored captive insurance company;

952 (C) New sponsored captive insurance company licensed as a special
953 purpose financial captive insurance company;

954 (D) New special purpose financial captive insurance company;

955 (E) New pure captive insurance company;

956 (F) New risk retention group;

957 (G) New agency captive insurance company;

958 (H) New industrial insured captive insurance company; or

959 (I) New association captive insurance company.

960 (2) Any such conversion of a protected cell or incorporated protected
961 cell, in accordance with subdivision (1) of this subsection, shall be
962 subject to the provisions of sections 38a-91aa to 38a-91xx, inclusive, of
963 the general statutes, as amended by this act, as applicable, and such
964 sponsored captive insurance company's plan of operation approved by
965 the commissioner, without affecting such converted protected cell's or
966 incorporated protected cell's assets, rights, benefits, obligations and
967 liabilities.

968 (b) Any conversion of a protected cell or incorporated protected cell
969 shall be deemed to be a continuation of such protected cell's or
970 incorporated protected cell's existence together with all of such
971 protected cell's or incorporated protected cell's assets, rights, benefits,
972 obligations and liabilities, as (1) a new protected cell or incorporated
973 protected cell, (2) a sponsored captive insurance company, (3) a

974 sponsored captive insurance company licensed as a special purpose
975 financial captive insurance company, (4) a pure captive insurance
976 company, (5) a risk retention group, (6) an industrial insured captive
977 insurance company, or (7) an association captive insurance company, as
978 applicable. Any such conversion of a protected cell or incorporated
979 protected cell shall be deemed to occur without any transfer or
980 assignment of such cell's assets, rights, benefits, obligations or liabilities,
981 and without the creation of any reversionary interest in, or impairment
982 of, any such assets, rights, benefits, obligations or liabilities.

983 (c) Any conversion of a protected cell or incorporated protected cell
984 shall not be construed to limit any rights or protections applicable to
985 such converted protected cell or incorporated protected cell or
986 applicable to such sponsored captive insurance company or sponsored
987 captive insurance company licensed as a special purpose financial
988 captive insurance company, as applicable, that existed immediately
989 prior to the date of such conversion.

990 (d) Any protected cell or incorporated protected cell that converts
991 into an incorporated protected cell, a new captive insurance company
992 or risk retention group, in accordance with the provisions of this section,
993 shall perform such conversion in accordance with chapter 601 or 613 of
994 the general statutes, as applicable, or in accordance with any such
995 provisions of the general statutes applicable to the formation of any
996 other type of legal entity permissible under the laws of this state, as
997 applicable.

998 Sec. 16. Section 38a-556a of the general statutes is repealed. (*Effective*
999 *from passage*)

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2024	38a-8
Sec. 2	October 1, 2024	38a-16
Sec. 3	October 1, 2024	38a-790(a)
Sec. 4	October 1, 2024	38a-792(a)

Sec. 5	<i>October 1, 2024</i>	38a-48
Sec. 6	<i>October 1, 2024</i>	38a-53(a)
Sec. 7	<i>October 1, 2024</i>	38a-54(a)
Sec. 8	<i>October 1, 2024</i>	38a-297
Sec. 9	<i>January 1, 2025</i>	38a-479ppp
Sec. 10	<i>from passage</i>	38a-556
Sec. 11	<i>October 1, 2024</i>	38a-564(4)
Sec. 12	<i>October 1, 2024</i>	38a-614(1)
Sec. 13	<i>October 1, 2024</i>	38a-5911(b)
Sec. 14	<i>October 1, 2024</i>	38a-91aa
Sec. 15	<i>October 1, 2024</i>	New section
Sec. 16	<i>from passage</i>	Repealer section

INS *Joint Favorable Subst.*